

STATE OF MAINE  
PUBLIC UTILITIES COMMISSION

Docket No. 99-042

November 10, 1999

CENTRAL MAINE POWER COMPANY  
Revisions To Terms and Conditions,  
Single-Phase Overhead Line Extensions,  
Customer's Installation And Meters

ORDER

WELCH, Chairman; NUGENT, and DIAMOND Commissioners

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**I. SUMMARY**

We approve Central Maine Power Company's revised line extension policy as filed on September 16, 1999, with certain modifications as described in this Order.

**II. BACKGROUND**

On January 22, 1999, Central Maine Power Company (CMP) filed proposed revisions to its single-phase overhead line extension policy<sup>1</sup> to go into effect on April 1, 1999. As permitted by 35-A M.R.S.A. § 310, the Commission suspended the effective date of the terms and conditions to allow further time to investigate the proposed changes.<sup>2</sup>

The Commission provided notice of the proposed changes and the following parties were granted intervenor status: St. Francis Community; Covenant Community Land Trust; Maine Community Action Association (MCAA); Maine Association of Home Builders (MAHB); Public Advocate (OPA); Kasprzak Landbank, Inc.; h.o.m.e., Inc.; Manufactured Housing Association of Maine (MHAM); and Community Housing of Maine. During April and May parties conducted discovery on CMP's filing. Parties filed comments in response to CMP's filing on April 26, 1999.

The Commission held a hearing on CMP's proposed policy on May 13, 1999. A major area of concern at the hearing was the impact of the proposed policy on

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<sup>1</sup> Similar changes to CMP's poly phase line extension policy went into effect on June 10, 1997. See Docket No. 97-275, *Central Maine Power Company, Revision to Terms and Conditions Poly Phase Overhead Line Extension*.

<sup>2</sup> In addition to the changes to the single-phase policy, CMP proposes a number of other minor changes to its terms and conditions to ensure consistency with the single-phase changes.

low-income customers. Witnesses included representatives of the Maine Community Action Agency; h.o.m.e., Inc.; St. Francis Community, Covenant Community Land Trust, and James Hatch, a witness sponsored by OPA. They testified that requiring customers to pay for line extensions beyond the initial service drop would make new housing unaffordable to low-income customers. Bob Howe, representing the Manufactured Housing Association of Maine (MHAM) and Gary Olson, representing Green Tree Financial Services (financers of 40% all new manufactured housing units in Maine), testified that low to medium income customers who need to site mobile homes in locations off the road will be unable to afford the extra cost and that the charge for bringing electricity to the site will not be mortgagable. During the hearing, CMP stated it was willing to revise its proposed policy to address concerns raised by low-income advocates. CMP also stated it would change provisions related to the "rebate" an initial customer would receive when subsequent customers use the line.

On September 16, 1999, CMP filed revised terms and conditions (Revised Filing) to reflect changes agreed to by CMP and the Maine Community Action Association to minimize the impact of the proposed line extension policy on low income customers. This includes a \$2800 line extension credit for qualified low and moderate income customers. CMP also proposes changing the rebate to customers to \$1 per foot with a minimum of \$500, regardless of length.

The Commission invited parties to file comments on CMP's Revised Filing by October 19, 1999. The Public Advocate, Maine Community Action Association, Manufactured Housing Association and Kasprzak Landbank, Inc. filed comments. The Commission considered the evidence from the May 13, 1999 hearing and the comments filed in response to CMP's Revised Filing at its deliberative session on November 1, 1999.

### **III. CMP's LINE EXTENSION POLICY**

Under CMP's current policy, customers with line extensions over 300 feet enter into a line extension contract which requires the customer to pay monthly support charges for 60 months or until enough customers take service from the line to average less than 300 feet per customer. The support charge is intended to recover the average cost of a line extension, including return on and of investment, and pay operation and maintenance (O&M) expenses such as tree trimming, repair of poles and property taxes. If the line extension is more than 1,000 or 2,000 feet long (depending on whether the line is on a public or private way), the customer must also pay, up front, the full cost of the portion over 1,000 or 2,000 feet.

CMP has a different policy for developers, under which they pay construction costs up front and pay O&M charges until enough customers take service that the average length of the line drops to less than 300 feet per customer. In the fifth year of a developer's contract, CMP will refund the contribution and reduce or cease O&M billing if the average length of line drops below 2000 feet per customer.

Under CMP's proposed policy, no customers will execute contracts. Instead all customers requiring line extensions beyond the initial service drop (typically 75 feet from

nearest existing pole) will be required to pay up-front CMP's actual cost for providing the extension. All O&M payments are eliminated. The proposed policy also eliminates reapportioning line extension payments when additional customers take service from the line. If a new customer requests service from the line within the prior 3 years, the new customer will make a \$500 payment to CMP, which CMP will pass on to the customer who originally paid for the line. This is referred to as the Development Incentive Payment (DIP). This same policy will apply to developers.

CMP's Revised Filing allows low-income customers (defined as those with incomes at 115% of HUD published area median income levels based on family size) to be certified by CAP agencies for a \$2,800 credit toward the cost of any needed line extension. Certain builders of low-income housing also qualify for the credit.

#### **IV. PARTIES COMMENTS ON REVISED FILING**

MCAA, representing the CAP agencies, states it supports the revisions addressing the needs of very low and low-income clients. The OPA asks the Commission to either disapprove the Revised Filing or hold additional hearings<sup>3</sup>. The OPA's primary concerns are: requiring payment for line extension will increase the cost of new homes and therefore generally affect the affordability of housing in Maine; line extension costs may not be mortgagable; the low-income credit is not broad enough; lack of an option for monthly payments for line extension costs; and the credit for builders of multi-unit housing is too limited.

MHAM continues to assert that mobile homeowners will not likely be able to include line extension costs in their financing as the amount allocated for lot improvements is typically already used for other improvements. They also believe those of moderate means who buy mobile homes are unlikely to qualify for the credit. They also object to the non-inclusion of homes built on speculation.

Kasprzak Landbank, Inc. and the Maine Association of Home Builders oppose the change in the policy whereby developers would only be reimbursed for 3 years (at a maximum amount of \$500 per additional customer) when a new customer comes on the line. They do not view elimination of O&M charges to be a satisfactory trade-off.

#### **V. DECISION**

The new policy will require up-front payment for the actual cost of a line extension, regardless of its length. This change has the effect of having the "cost causer" pay the cost of a line extension versus the general body of ratepayers, who currently absorb most of these costs in their rates. As a general matter, we prefer rates and charges to be as close to their actual cost as possible. This avoids some ratepayers subsidizing costs incurred for another subset of ratepayers. It also sends the proper price signal to those making

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<sup>3</sup> We decline OPA's request for additional hearings, as we need no further factual evidence beyond that already in the record in order to reach our decision.

choices, in this case, those choosing the location of a new house. The Commission's role is to ensure safe and reasonable electricity service at reasonable rates for ratepayers. If the Public Advocate or other parties having continuing concerns about the impact of this policy change on affordable housing, these concerns are more properly addressed to the Legislature.

With regard to the OPA's comments on the low-income credit, we view the plan agreed to by CMP and MCAA as adequately addressing the needs of low-income customers. The eligibility criteria are the same as those used by the Maine State Housing Authority for its first-time homeowners financing program. MCAA's agreement with the proposal assures us that those most familiar with low-income customer needs believe this will provide adequate protection. Builders of homes on speculation will need to include the line extension costs in the price of homes or factor the costs into their site location decision.

Kasprzak and the Maine Association of Home Builders object to the changes for reimbursements to developers when new customers come on to a line. We agree that some lengthening of the 3 years proposed by CMP is appropriate. CMP should revise its terms and conditions to allow for reimbursement over 5 years.<sup>4</sup>

CMP's terms and conditions page 7.04 describe how CMP plans the transition to this new policy. According to Section 7.1(F), customers who establish a new account by January 1, 2000 will have the choice of applying the old-line extension policy. If they so choose, they must return the signed line extension contract by February 28, 2000 and comply with any other preconstruction requirements by July 1, 2000. CMP plans to notify persons who have contacted the Company about line extensions since January 1, 1999, about the new policy and the choice they have to apply the old policy.

We also direct CMP to file a report by January 31, 2001, and annually thereafter, on how the line extension policy is being implemented. The report should include information on the total number of line extensions, average length, average cost and low-income customers eligible for the credit.

We therefore approve the proposed changes to CMP's single-phase line extension policy as described in this Order. CMP should revise its revenue requirement currently under examination in Docket No. 97-580, *Maine Public Utilities Commission Investigation of Central Maine Power Company's Strained Costs, Transmission and Distribution Utility Revenue Requirements, and Rate Design*, to reflect these changes.

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<sup>4</sup> CMP submitted revised terms and conditions on November 5, 1999 that comply with this change.

Accordingly, we

O R D E R

The Central Maine Power Company Terms and Conditions, Section 7 (Pages 7.00 – 7.49 (all Originals); Page 12.2. (First Revision); and Pages 5.0 – 5.4 (Cancelled) filed on November 5, 1999 are approved for effect on January 1, 2000.

Dated at Augusta, Maine, this 10th day of November, 1999.

BY ORDER OF THE COMMISSION

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Dennis L. Keschl  
Administrative Director

COMMISSIONERS VOTING FOR: Welch

Nugent  
Diamond

## NOTICE OF RIGHTS TO REVIEW OR APPEAL

5 M.R.S.A. § 9061 requires the Public Utilities Commission to give each party to an adjudicatory proceeding written notice of the party's rights to review or appeal of its decision made at the conclusion of the adjudicatory proceeding. The methods of review or appeal of PUC decisions at the conclusion of an adjudicatory proceeding are as follows:

1. Reconsideration of the Commission's Order may be requested under Section 1004 of the Commission's Rules of Practice and Procedure (65-407 C.M.R. 110) within 20 days of the date of the Order by filing a petition with the Commission stating the grounds upon which reconsideration is sought.
2. Appeal of a final decision of the Commission to the Maine Supreme Judicial Court, sitting as the Law Court, is not available, as provided in 47 U.S.C. § 252(e)(6).
3. Review of this discussion is available to an aggrieved party by bringing an action in federal district court, as provided in 47 U.S.C. § 252(e)(6).

Note: The attachment of this Notice to a document does not indicate the Commission's view that the particular document may be subject to review or appeal. Similarly, the failure of the Commission to attach a copy of this Notice to a document does not indicate the Commission's view that the document is not subject to review or appeal.